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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/22/07  
 LAST UPDATED 3/11/07      HB 984/HTRCS

SPONSOR HTRC

SHORT TITLE Cigarette Tax Act Definitions      SB \_\_\_\_\_

ANALYST Francis

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	0.1		Recurring	County Municipal Recreation Fund
	0.1		Recurring	County Municipal Cigarette Fund
	0.1		Recurring	UNM Cancer Center
	0.1		Recurring	NMFA
	0.1		Recurring	NMFA /Credit Enhancement Account
	0.1		Recurring	NMFA/UNM Health Sciences Center
	0.1		Recurring	NMFA / Department of Health Facilities
	0.1		Recurring	Rural County Cancer Treatment Fund
	0.1		Recurring	General Fund (included CEA)

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Health (DOH)  
 Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

The House Taxation and Revenue Committee substitute for House Bill 984 amends the Cigarette Tax Act to clearly define “cigarettes” as any roll of tobacco or any substitute for tobacco wrapped in any substance not containing tobacco or that is wrapped in any substance containing tobacco that is not 100 percent leaf tobacco which for all appearances is marketed and offered as a cigarette, including bidis and kreteks. The committee substitute also defines cigarettes sold in packages of not five, ten, twenty or twenty-five as contraband.

The substitute also defines a new excise tax schedule based on the amount of cigarettes in a package. The table below shows the new schedule.

**Table 1: HTRC Substitute for HB984 Schedule of Tax**

Package Size	Excise Tax		
	Per Cigarette	Per Package	20-pack equivalent
5	\$ 0.1820	\$ 0.91	\$ 3.64
10	\$ 0.0910	\$ 0.91	\$ 1.82
20	\$ 0.0455	\$ 0.91	\$ 0.91
25	\$ 0.0455	\$ 1.14	\$ 0.91

Source: TRD

### **FISCAL IMPLICATIONS**

TRD reports that this change, allowing cigarettes and cigarette-like products to be sold in smaller quantities, will have an uncertain but positive impact on cigarette tax revenues.

### **SIGNIFICANT ISSUES**

Department of Health (DOH):

There has been recent resurgence in cigar use, particularly among youth. Since 1998, the sale and consumption of little cigars has been the fastest growing segment of the cigar market (NAAG, 2006). One of the reasons for this is that cigarette manufacturers have attempted to label products as “little cigars” to avoid paying higher cigarette taxes and make these products more affordable ([www.tobaccofreekids.org](http://www.tobaccofreekids.org)). Additionally, “little cigars” are designed to appear very similar to cigarettes, are filtered like many cigarettes and are marketed with flavorings such as chocolate mint and wild berry.

NF/nt